



HISTORICAL OVERVIEW

For over a century the Arizona State Land Department ("Land Department") has managed State Trust lands. The federal government granted these lands to Arizona at the time of its establishment as a territory in 1863, and conveyed additional lands upon statehood under the Federal Enabling Act of 1910. Arizona created the Land Department as a condition of statehood, and accepted the responsibility of State Trust land management. Today, the State Trust ("Trust") controls approximately 9.2 million acres, which represents 13% of all land in Arizona, and generates revenue for its 13 Trust beneficiaries.

It is the Land Department's responsibility, on behalf of its beneficiaries, to assure the highest and best use of Trust lands. The Enabling Act and the State Constitution mandate that a fair market value be obtained from all State Trust land transactions. Reflected in the unique properties offered for sale or lease throughout the state, the Trust's diversity of lands is historically its most valuable resource.

PURCHASING STATE TRUST LANDS

All State Trust Land transactions must be in accordance with the State's mandate, to assure the highest and best use of the land, and to act in the best interest of the Trust. An applicant, in consultation with Department staff, initiates the purchasing process. Submission of an application does not guarantee the land will be sold; the Trust cannot subsidize development for any purpose, no matter how commendable, at the expense of its beneficiaries. Per the Enabling Act, all land sales must go to public auction.

EVALUATION CRITERIA

The Land Department's review of a purchase application will, at a minimum, take into consideration the following: potential income to the Trust, proposed use of the land, cultural and natural resources, impact to adjacent State Trust Lands, availability of utilities/infrastructure, access, proximity to existing development, parcel size, and conformance with local jurisdictional regulations. All sales of State Trust Land must be approved by the Board of Appeals, which is an independent body of five (5) members, appointed by the Governor.

PURCHASING PROCEDURES AND FEES

An Application Addendum, signed and dated by the Real Estate Division, must accompany any new application for purchase. If an Application Addendum does not accompany an application, if the Addendum is not signed and dated, or if the application is not submitted within 90

ARIZONA STATE LAND DEPARTMENT Purchasing

days of the Application Addendum conference date, the application will be rejected. The complexity of the sale is typically the determining factor in the length of time it takes to process the application. The estimated processing time for a purchase may exceed one year.

In general, a purchase application will require the following:

1. Legal Description: A new application must include the township, range, section, description, acreage and county where the land is located. An ALTA land survey is typically required as part of the application process.

2. Additional Expenses: Dependent on the location of the land and the proposed use, additional costs may be incurred, which will be the responsibility of the applicant. These may include, but are not limited to: an ALTA land survey, archaeological survey, geotechnical report, infrastructure analysis, and Phase I Environmental Assessment report. These costs may be reimbursable, upon approval of the Land Commissioner, in the event the applicant is not the successful bidder at auction.

3. Appraisal of State Trust Land: All State Trust Land transactions must be in accordance with the State's responsibility to receive an appropriate return for the Trust beneficiaries. The Land Department will obtain a property appraisal from an independent appraiser. The applicant will either prepay the cost of the appraisal or the cost will be assessed as a fee at auction. The approved appraised value will establish the minimum acceptable bid at auction.

4. Reimbursable Improvements: If improvements exist on the property and are deemed reimbursable by the Land Department, a formal appraisal shall be completed, to establish their current value. Temporary or removable structures are not considered reimbursable improvements. A minimum of 10% of the appraised value of the improvements is required at the time of auction, with the balance due in 30 days. If the successful bidder is the owner of the improvements, no payment of the improvements is required.

5. Selling and Administrative Fee / Broker Commission: The Land Commissioner has established Selling and Administrative Fees of up to 3% of the consideration paid for all lands and reimbursable improvements sold. The Selling and Administrative Fee of the land will not exceed 3% of the purchase price. In the event reimbursable improvements are included with the sale of land, the Selling and Administrative Fee will be 2% of the first \$250,000, of the appraised value of the improvements. The Land Department is authorized, but under no obligation, to pay commissions to Arizona licensed real estate brokers.

The Land Commissioner determines the broker commission, if any, up to a maximum of \$500,000. The broker commission is paid from the Selling and Administrative Fees, of the purchase price of the land, collected on the day of auction. Broker commissions are not paid on the value of the improvements. Any Selling and Administrative Fees, in excess of the brokerage commission paid, will be retained by the Land Department. A commission will not be paid to a broker, until either a Certificate of Purchase or a Patent is issued to the successful bidder.

6. Legal Advertising: Per the Enabling Act and upon approval of the Land Commissioner and the Board of Appeals, the legal auction notice shall be advertised once a week, for not less than 10 successive weeks, prior to the public auction. The receipt of an estimated advertising deposit is required from the applicant, prior to scheduling the subject property for public auction.

7. Public Auction: A verbal auction is held in the county in which the subject parcel is located. Bidding begins at the appraised land value, and is increased by established increments listed in the legal auction notice. The final purchase price will be the highest and best bid accepted at auction.

PAYMENT TERMS

Payment terms may be available and are determined prior to advertising the subject property. If payment terms are offered, they will be specified in the legal auction notice.

Cash: Full cash payment of the appraised value, applicable fees and expenses, and additional monies over and above those stated in the legal auction notice, are due within 30 days after the date of sale.

Terms: Some payment terms may be negotiable; however, a minimum down payment of 10% of the purchase price, plus applicable fees and expenses, is required.

If State Trust Land is sold subject to terms, the Land Department will issue and maintain a Certificate of Purchase, until the balance is paid in full. Upon satisfaction of the Certificate of Purchase, a Patent is issued to transfer title to the buyer. Mineral rights, on State Trust Land purchased at public auction, are not transferred to the buyer.

The Department requires a Preliminary Application Conference, prior to the submission of an application.

Application fees are non-refundable. To schedule an Application Addendum Conference, please contact the Land Department's Real Estate Division at (602) 542-3000.

1616 West Adams • Phoenix, Arizona 85007

602-542-3000

fax: 602-542-4668

www.AzLand.gov

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